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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

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INDUSTRIAL PRODUCTION FIGURES

Product	January 1985	% Jan. '85 over Jan. '84
Electricity (bil.kw.hrs)	147	106
Petroleum (inc. gas condensate) (mil.tons)	50.6	97
Natural Gas (bil.cu.mtrs)	54.7	111
Coal(mil.tons)	62.7	100.4
Steel (mil.tons)	12.7	95
Fertilizer (mil.tons)	2.7	102
Metal-cutting tools (mil. rubles)	197	103
Robots (1000s)	820	114
Computer Technology (bil. rubles)	306	117
Tractors (mils.)	4.6	106
Paper (mil. tons)	476	94
Cement (mil. tons)	10.4	97
Meat(mil. tons)	946	107
Margerine (1000 tons)	130	94
Watches(mils.)	5.4	95
Radios(mils.)	678	88
Television sets (mils.)	734	99.1
Automobiles (1000s)	114	100.9

PRODUCTION RESULTS FOR 1985

The most striking thing about the production figures for January 1985 is the sharp drop in oil production. Production fell by 3% from what it had been before, and in tonnage terms, oil production was 1.4 million tons lower than it had been in the corresponding month a year earlier; the sharpest drop recorded since oil production began to decline in the last year or so. This obviously is a disappointing result for the Soviets and could be a harbinger of very serious problems ahead. It, more than anything else, may explain why the Soviets fired Nikolai Maltsev, the Minister of the Oil Industry.

The very sharp increase in natural gas production by 11% may also help to explain why Maltsev's replacement was Vassily Dinkov, who had been the Minister of the Natural Gas Industry. Looking at the month as a whole, the reader is struck by the fact that except for the natural gas industry, production in most indices is below what it had been a year earlier. In some cases the drop is as

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striking as the one occuring in the petroleum industry--for example, steel production was down 5%, paper production down 6% and cement production down by 3%.

There may be a partial explanation for the relatively uniform decline in production. First, the weather in January in the USSR was very cold, and clearly affected production of many items. In addition, it seems that in January 1984 there was one extra work day, compared to 1985, and so that may be some explanation.

The drop in oil production was probably due primarily to the cold weather. This also helps to explain why the Soviets notified many of their foreign buyers that oil supplies and exports would be curbed.

The Soviets also apparently have been having a problem maintaining their livestock herds. While the cattle herd and number of chickens is up, the number of pigs goats and sheep has either remained constant or diminished. January 1985 was not a good month for the Soviet Union.

SOVIET TRADE BALANCE WITH EASTERN EUROPE

The Soviet Union continues as before to maintain a trade surplus with its East European partners. Again, remember that is not something it seeks to do. It would prefer a balance similar to the kind of balance that it runs normally with Romania. Soviet trade with all of its East European partners seems to have expanded significantly from what it had been for the first nine months of 1983. Thus, exports from the Soviet Union to Eastern Europe rose approximately 2.5 billion rubles.

CHART PG. 4

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Jean Monahan.

RRC @ 1985

CURRENCY FIGURES

Rubles Purchased Per 100	Feb. 1984	Jan. 1985	Feb. 1985
Austrian shilling	4.14	3.95	3.90
U.K. pound	113.72	99.38	98.44
W. German mark	29.31	27.81	27.40
U.S. dollar	79.00	87.95	89.75
French franc	9.49	9.08	8.98
Japanese yen	.338	.346	.342
Italian lira	.047	.0452	.0446
Swiss franc	35.93	33.13	32.13

According to the currency exchange rates released by Gosplan for February 1985, the Austrian shilling, W. German mark, U.S. dollar, French franc, Japanese yen, Italian lira and Swiss franc all decreased over the last month. Over the last year, these same currencies have decreased, with the exception of the U.S. dollar and Japanese yen.

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ANNOUNCEMENT: CORPORATE SEMINARS

There are two Corporate Sponsor seminars coming up, scheduled for April and May. The first one, April 1, will be on Soviet Public Opinion. <The fact that it falls on Fool's Day is not meant to imply anything about Soviet Public Opinion.> It promises to be a unique conference, focusing primarily on political and sociological issues.

The second conference, to take place May 7, is more in keeping with our usual pattern, and will focus, as we have often done, on Eastern Europe. The conference on Eastern Europe will be sponsored by the Department of Commerce and the Greve Foundation. The April 1 conference is sponsored by the Greve Foundation. Enclosed are programs and application forms.

ARDEN HOUSE - THE NINTH ANNUAL CONFERENCE

This is the last call for the Arden House conference on East-West Relations (March 29-31st). We already have more signed up this year than came to the conference last year. It might be wise to assure yourself a place by sending in your application as quickly as possible.

As was announced earlier, Congressman

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Les Aspin will join the panel of Congressional speakers, and Congressman Richard Gephardt will be attending the conference. This means that our Congressional panel will consist of four Congressmen and at least one Senator. We may yet hear from other Senators as well.

U.S. SOVIET TRADE FOR 1984

The official Department of Commerce statistics for 1984 are presented in the accompanying tables. As has been widely reported, the big jump in US exports to the Soviet Union is primarily due to the increase in food exports. Food exports in 1984 were more than double than what they were in the preceeding year. In contrast, manufactured equipment fell.

Corn was the most important commodity exported to the Soviet Union. Corn exports alone amounted to almost 1.4 billion dollars, almost half of our total exports. Moreover that was a jump of almost a billion dollars from the exports shipped in 1983. Wheat was the other major import.

The leading import from the Soviet Union was petroleum and ammonia. The jump in imports of both commodities helps to explain why there was a 200 million dollar increase in imports from the Soviet Union.

The Soviet Union therefore remains one of the few trading partners the United States has which provides the United States with a trade surplus.

In contrast, our trade relations with the East Europeans have now reached the point where we have a trade deficit with the other East European countries. This is largely a result of the fact that our grain exports to those areas have diminished sharply from what they were in the early part of the decade. At the same time our imports from those areas have risen sharply, particularly petroleum imports. Romania is a source of almost all of that petroleum, even though it in turn reexports some of it from the Middle East and the Soviet Union.

Soviet Union Has Stepped Up Spending On Military Following Lull, U.S. Finds

By Tim Carrington
Staff Reporter of The Wall Street Journal

WASHINGTON—Soviet military expenditures are growing at an accelerated rate after what appears to have been a relative lull of about six years, U.S. intelligence analysts estimate.

The latest findings by the Pentagon's Defense Intelligence Agency show that in both 1983 and 1984 the Russians boosted their military budget by between 5% and 8%, more than double the annual rate of spending growth in the preceding six years. The bulk of the added expenditures, the D.I.A. found, went for submarine construction and aircraft modernization.

This latest estimate is certain to figure prominently in the heated debate in Congress over whether to cut the U.S. defense budget. Defense Secretary Caspar Weinberger points to increases in Soviet defense outlays to support the Reagan administration's request for a $29 billion spending increase.

Recent history, however, suggests that estimates of Soviet military spending are based on murky calculations and are subject to sharp future revisions.

Last year, for instance, the Central Intelligence Agency abandoned the generally held belief that Moscow has pursued a massive military buildup throughout the 1970s. Instead, the CIA found that from 1977 to 1982, military spending grew at a sluggish rate of between 2% and 3%, down from the pre-1977 growth rate of between 4% and 5% a year after inflation. The CIA concluded that Moscow has spent less on armored personnel carriers, ballistic missile submarines, air defenses and land-based intercontinental ballistic missiles than it previously thought.

Weak Economy

Soviet specialists say the CIA apparently underestimated the constricting effect that the Soviet economic downturn was having on military expenditures. When the intelligence agency saw few signs that the Soviets had actually built the number of weapons it assumed were in production, it revised its estimates. Nonetheless, President Reagan and other administration officials maintain that the Soviets have engaged in an unprecedented buildup.

The U.S. intelligence community measures Soviet military spending through a variety of methods, including satellite photographs, direct observation of missile tests and sea trials, economic analysis, as well as what one Kremlin watcher calls "good old spying." Any single method of observation is bound to produce errors, but, according to one D.I.A. official, there are likely to be so many mistakes that "the errors tend to offset one another."

During a recent seminar sponsored by Harvard University's Russian Research Center, the most binding consensus among attending Kremlin-watchers was that the estimate-game can be tricky. Despite the CIA's large revision in its estimate of Soviet arms outlays, Abram Bergson, one of Harvard's Soviet specialists, concluded that the U.S. intelligence community does as well as can be expected. "It's the only game in town," said Mr. Bergson, "and if you don't take it too literally, you won't be too misled."

Factor in Defense Outlays

The difficulty of sizing up the Soviet military program is becoming part of the U.S. debate on its own budget. The CIA revisions are causing some in Congress to question just how much the administration knows about the Soviet military threat. This week, in response to questions posed by Senate Budget Committee Chairman Pete Domenici (R., N.M.), William Kaufman, a Harvard defense specialist, said, "While the Soviet Union does not wish us well, I think we have exaggerated the magnitude of the threat."

But the CIA warns that a slowdown in military expenditures probably won't restrain Soviet military and political activities in the Third World. Moreover, the CIA says that even with slowed economic and military growth, the Soviet Union may still deploy a slew of major weapons programs, including a new generation of cruise missiles, several military space systems, a new strategic bomber, a large transport aircraft, a new aircraft carrier and a new set of strategic ballistic missiles.

Soviet specialists at the Harvard seminar sketched a military system riddled with idiosyncrasies. It turns out that Soviet military factories, which are closely watched by U.S. spy satellites, produce about half of the country's refrigerators, one-third of its vacuum cleaners, and nearly all its televisions, according to Julian Cooper, a Russian specialist with the University of Birmingham in England. The mixed-use approach to the military shops enables the Soviets to switch production lines to military output quickly, Mr. Cooper said. But the system also confounds CIA analysts.

The data compiled to date suggests that Soviet military spending is more closely tied to fluctuations in that country's total output of goods and services than to U.S. defense outlays. For instance the negligible growth in Soviet military spending from 1977 through 1982 paralleled a similar pattern in the Soviet economy, and seemed to be unaffected by the much-publicized defense buildup the U.S. launched in 1979.

Marshall Goldman, associate director of the Russian Research Center, says these findings should debunk the concept that by boosting its defense outlays the U.S. can drive the Soviet Union into economic ruin. He concedes that the Soviet budget increases of the last two years are partly a response to U.S. military growth, but he notes that they also reflect the costs of the protracted fighting in Afghanistan.

THE WALL STREET JOURNAL FRIDAY, FEBRUARY 22, 1985 35

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE 1ST NINE MONTHS OF 1984

(in million rubles)

	Exports from U.S.S.R.				Imports to U.S.S.R.			
	1981	1982	1983	1984	1981	1982	1983	1984
Bulgaria	3225	3546	4141	4661	2751	3245	3720	4122
Czecho-slovakia	3108	3728	4270	4948	3060	3513	4018	4422
GDR	4037	4587	4992	5385	3861	4270	4879	5576
Hungary	2445	2711	2951	3298	2413	2710	2957	3178
Poland	3667	3581	3868	4450	2419	2882	3485	3843
Romania	1111	1013	1199	1352	1237	1323	1280	1340
	17,593	19,166 / 21,421		24,094	15,741	17,933 / 20,339		22,481
Balance of Trade	+1852	+1283	+1082	+1613				

02/07/85
18:22:15

Leading items in U.S. imports for consumption from EASTERN EUROPE in 1984, 1980, 1981, 1982, 1983, and 1984

(Customs value, in thousands of dollars)

TSUSA number	Description	1980	1981	1982	1983	1984
4753500	Naphthas derived petroleum,-----	34,919	49,975	19,786	24,017	226,239
4752520	Gasoline----------	0	90,241	69,846	207,709	136,346
1073525	Pork hams & shouldrs, boned,----	177,757	127,271	87,409	119,996	110,845
4756530	Liquid derivatives of----------	0	0	0	0	100,202
6076625	Plates ios not cut etc a not----	0	0	0	0	71,356
4803000	Urea, nspf----------	5,268	2,893	1,760	10,885	48,393
6923288	Parts nspf of motor vehicles----	15,029	21,079	12,045	18,740	40,480
6078360	Steel sheet pickled and/or------	0	0	0	561	31,512
4751015	Light fuel oils a tcr 25deg-----	0	8,908	7,701	36,246	29,898
6182563	Aluminum sheets and strip, n--:	0	0	0	0	29,439
6071700	Steel wire rods no alloy not----	538	114	2,265	8,763	24,623
1702800	Cigarette leaf, not stemmed,----	14,569	18,391	17,659	25,835	18,549
6869030	Other lamps including----------	7,246	9,330	11,456	10,707	14,275
7004540	Footwear, leather, cement-------	22,503	14,211	20,568	21,439	14,235
6081330	Ir o st sht, zinc coated not----	0	0	0	1,355	13,461
3359500	Other woven fabric of veg-------	8,839	10,697	12,789	6,063	13,197
6923460	Parts of agricultural----------	11,474	10,718	8,704	3,094	11,994
4750535	Heavy fuel oils un 25 deg-------	9,565	0	0	10,052	11,147
3798355	Mens or boys other wool ntkt----	0	0	13,891	9,470	10,795
3799565	Mens and boys suits manmade-----	0	0	3,796	3,314	10,344
7271500	Furniture and parts of----------	7,927	7,386	7,606	7,028	9,464
4806510	Ammonium nitrate----------	0	0	0	849	9,435
5466020	Tmblrs, gblts, a stmwre ov------	6,952	8,200	6,752	8,491	8,811
6098041	Steel channels not alloyed------	3,866	5,146	233	1,946	8,479
6104225	Oilwell casing api not alloy----	0	0	0	274	8,303
7003550	Footwear, leather, nspf for-----	20,514	16,566	10,899	10,090	7,935
1922520	Hops, nspf----------	0	0	8,424	5,733	7,663
6462622	Nails etc iron/steel, smooth----	5,028	5,469	1,956	4,961	7,576
7725109	Pneumatic tires, new, for-------	0	0	3,619	7,999	7,241
4805000	Potassium chloride or----------	3,706	4,150	3,290	8,557	7,149
	Total----------	355,700	410,743	332,454	574,176	1,049,387
	Total, all items imported from EASTERN EUROPE-------	956,654	1,184,865	823,691	1,010,479	1,596,150

Source: Compiled from official statistics of the U.S. Department of Commerce.

02/07/85
18:12:06

Leading items in U.S. domestic exports to EASTERN EUROPE in 1984, 1980, 1981, 1982, 1983, and 1984

(F.a.s. value, in thousands of dollars)

Sched B number	Description	1980	1981	1982	1983	1984
1754100	Soybeans, except seed for plan--	129,315	49,620	84,751	125,056	143,543
1303465	Yellow corn, not donated for r--	940,999	914,105	296,923	118,231	107,629
1201400	Cattle hides, whole----------	60,858	39,027	61,456	65,428	88,707
1845260	Soybean oil cake and oil-cake---	311,365	275,628	83,778	121,520	76,462
4809500	Other fertilizers, including c--	41	0	0	32	43,045
8183900	Commodities nspf, donated for---	678	4,608	20,489	40,648	32,769
5213110	Low volatile bituminous coal a--	45,526	15,399	11,180	16,145	32,211
1160100	Butter----------	0	44,486	17,513	16,453	23,545
4807050	Concentrated superphosphate, 4--	9,943	37,150	27,137	28,961	20,695
1755140	Sunflower seed, except confect--	0	0	0	0	18,868
1304040	Grain sorghum, except seed------	0	0	0	0	15,135
8183100	Food products, nspf, donated f--	0	4,512	14,437	4,876	12,980
1306540	Wheat, unmilled, not donated f--	206,659	54,589	14,228	6,139	10,397
6923840	Parts, nspf, of tractors, exce--	7,854	4,462	6,923	3,879	9,866
4331035	Compound catalysts, nspf--------	633	1,671	4,840	2,370	8,994
1314030	Wheat flour, except durum and---	0	115	7,780	7,382	8,601
6603040	Parts, nspf, of steam turbines--	1,740	38	0	6	7,815
1765260	Soybean oil, fully refined, do--	0	0	8,756	7,672	7,617
1301040	Barley, nspf----------	0	10,704	0	7,002	7,045
6640588	Parts, nspf, of excavating mac--	95	133	621	3,646	6,569
8183400	Apparel privately donated (rel--	418	1,950	3,911	5,490	6,227
8188000	Shipments valued $10,000 and u--	0	0	0	0	6,125
1706500	Cigarettes----------	2,584	10,694	3,277	6,204	5,626
6765560	Parts, nspf, of automatic data--	8,281	5,672	5,706	4,992	5,420
1155020	Nonfat dry milk containing not--	0	2,125	3,238	10,123	5,201
3094245	Acrylic and modacrylic fibers---	376	0	0	400	4,439
5404200	Glass rods, tubes, & tubing, n--	5,112	3,010	2,722	3,246	4,104
4807015	Phosphoric acid, less than 65%--	2,088	0	0	0	3,786
8184000	Used wearing apparel and other--	602	1,016	6,116	3,549	3,357
4808010	Monoammonium----------	0	0	0	0	3,252
	Total----------	1,735,166	1,480,712	685,783	609,449	730,029
	Total, all items exported to EASTERN EUROPE----------	2,332,933	1,898,029	996,387	876,695	884,198

Source: Compiled from official statistics of the U.S. Department of Commerce.

02/08/85
17:27:12

Leading items in U.S. imports for consumption from USSR in 1984, 1980, 1981, 1982, 1983, and 1984

(Customs value, in thousands of dollars)

TSUSA number	Description	1980	1981	1982	1983	1984
4751015	Light fuel oils a tcr 25deg	0	80,706	0	48,913	168,040
4806540	Anhydrous ammonia	94,796	78,414	88,765	85,722	139,604
6050260	Palladium, palladium	54,563	31,142	24,836	41,849	59,267
4803000	Urea, nspf	0	0	10,434	38,913	44,694
1143000	Crabs fresh chilled frozen	0	0	2,107	12,790	15,248
6050750	Palladium bars plates etc	11,658	2,815	1,685	4,343	15,154
1241045	Sable furskins, whole, raw	5,938	8,120	7,164	7,803	9,789
4750535	Heavy fuel oils un 25 deg	6,256	0	15	0	9,082
4805000	Potassium chloride or	2,407	0	4,600	4,134	8,996
6180650	Unwrought alloys of aluminum	101	0	219	137	7,211
1693800	Vodka in containers not over	1,898	5,799	7,173	9,883	7,036
4751035	Heavy fuel oils 25 deg api	0	9,467	0	0	6,029
4753000	Kerosene derived from shale	0	0	0	0	5,449
6181000	Aluminum waste a scrap	0	2,996	0	0	4,703
6050270	Rhodium, rhodium content	6,276	3,475	3,475	2,105	3,674
4017415	Ortho-xylene	0	0	0	0	3,578
6050710	Platinum bars,plts sheets nt	6,999	1,413	1,197	2,356	3,331
4011000	Benzene	0	0	0	0	2,985
4752520	Gasoline	0	0	10,341	0	2,977
6050220	Platinum sponge platinum	4,604	4,626	3,961	3,003	2,955
2401440	Plywood, birch face not face	1,123	3,209	1,374	2,283	2,622
7650300	Paintings, pastels, drawings	6,727	96	115	3,102	2,017
4257000	Acetic acid	0	0	0	0	1,842
6063542	Ferosilicon, contng 30%	0	0	0	0	1,816
1693700	Vodka in containers not over	889	1,406	2,173	1,220	1,655
2452020	Hardboard, not face finished	608	1,977	1,569	1,359	1,604
6052020	Gold bullion, refined	85,695	21,368	1,493	1,438	1,443
2451000	Hardboard, n/face-finished	1,042	29	436	731	1,427
6063546	Ferosilicon cont ovr 30%	0	0	0	2,804	1,335
4016400	Pseudocumene	0	0	0	0	1,222
	Total	291,580	257,057	173,132	274,891	536,787
	Total, all items imported from USSR	431,246	357,424	228,792	341,093	556,122

Source: Compiled from official statistics of the U.S. Department of Commerce.

02/07/85
18:07:05

Leading items in U.S. domestic exports to USSR in 1984,
1980, 1981, 1982, 1983, and 1984

(F.a.s. value, in thousands of dollars)

Sched B number	Description	1980	1981	1982	1983	1984
1303465	Yellow corn, not donated for r--	602,156	781,675	818,768	390,915	1,389,842
1306540	Wheat, unmilled, not donated f--	336,084	772,563	802,182	800,584	1,170,572
4807025	Phosphoric acid, 65% or more a--	17,440	166,002	268,485	214,810	186,400
3001060	Cotton, not carded, not combed--	118	0	67	61,338	148,668
7905510	Pressure sensitive tape with a--	42,387	19,692	36,095	58,650	54,920
1775640	Tallow, inedible	28,148	48,509	17,887	21,505	29,745
1454300	Almonds, shelled, not blanched--	17,399	16,003	10,043	2,341	24,501
3001550	Other cotton having a staple l--	0	0	0	10,885	18,739
4754555	Insulating or transformer oils--	0	16,139	27,928	13,923	16,449
4461561	Synthetic rubber, not containi--	0	0	0	8,191	14,357
1754100	Soybeans, except seed for plan--	45,322	8,432	171,264	157,162	14,039
6923820	Parts, nspf, of tracklaying tr--	38,555	48,538	25,651	16,220	12,863
6923840	Parts, nspf, of tractors, exce--	9,645	35,387	17,195	14,628	11,887
1201400	Cattle hides, whole	65	0	0	10,575	10,184
6640586	Parts, nspf, of boring and dri--	530	156	20,003	12,978	9,166
1762520	Linseed oil, crude	0	6,080	0	0	9,127
6605460	Parts, nspf, of industrial gas--	843	360	23	17,144	8,799
5175120	Petroleum coke, calcined	19,718	33,055	34,269	3,125	8,178
3094222	Rayon fibers in noncontinuous---	0	0	0	6,176	6,563
6923160	Tracklaying tractors, new, 345--	51,261	56,746	51,037	3,628	5,325
3382600	Fabrics, woven, of manmade fib--	8,592	8,305	6,841	6,960	4,057
2500292	Cotton linter pulp	1,210	987	875	1,394	3,876
6640513	Drilling and boring machines,---	0	0	1,512	1,757	3,656
6605440	Parts nspf of diesel engines f--	1,817	8,275	7,728	6,036	3,600
6640591	Parts, nspf, of earth-moving a--	408	2,189	1,947	5,166	2,945
4744160	Industrial varnishes	2,296	1,184	2,220	3,362	2,925
4331035	Compound catalysts, nspf	0	293	3,234	1,626	2,828
4461521	Polychloroprene (neoprene) rub--	0	6,220	3,790	4,027	2,799
6922985	Parts, nspf, of motor vehicles--	5,707	4,074	5,721	1,675	2,787
6603040	Parts, nspf, of steam turbines--	16	12	1,946	1,943	2,742
	Total	1,229,717	2,040,878	2,336,709	1,858,725	3,182,542
	Total, all items exported to USSR	1,509,747	2,338,818	2,588,975	2,001,951	3,282,652

Source: Compiled from official statistics of the U.S. Department of Commerce.